

MUR # 5338

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BEFORE THE  
FEDERAL ELECTION COMMISSION

**SENSITIVE**

COMMON CAUSE  
1250 Connecticut Ave. NW  
Washington, DC 20036  
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DEMOCRACY 21  
Suite 400  
1825 Eye St. NW  
Washington, DC 20036  
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THE CAMPAIGN AND MEDIA  
LEGAL CENTER  
Suite 330  
1101 Connecticut Avenue NW  
Washington, DC 20036  
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CENTER FOR RESPONSIVE  
POLITICS  
Suite 1030  
1101 14<sup>th</sup> Street NW  
Washington, DC 20005  
202-857-0044

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FEDERAL ELECTION  
COMMISSION  
OFFICE OF GENERAL  
COUNSEL

v.

THE LEADERSHIP FORUM  
4123 South 36<sup>th</sup> Street No. B2  
Arlington, Virginia 22206

NATIONAL REPUBLICAN CONGRESSIONAL COMMITTEE  
320 First Street SE  
Washington, DC 20003

SUSAN HIRSCHMANN  
1155 21<sup>st</sup> Street NW  
Washington, DC 20036

L. WILLIAM PAXON  
1333 New Hampshire Avenue NW  
Washington, DC 20036

DEMOCRATIC STATE PARTIES ORGANIZATION, INC.  
1025 Vermont Avenue NW  
Washington, DC 20005

(continued...)

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RECEIVED  
FEDERAL ELECTION  
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SECRETARIAT

JOSEPH CARMICHAEL  
Suite 800  
901 St. Louis Street  
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DEMOCRATIC NATIONAL COMMITTEE  
430 South Capitol Street SE  
Washington, DC 20003

TERRY McAULIFFE  
430 South Capitol Street SE  
Washington, DC 20003

### COMPLAINT

1. This Complaint seeks enforcement action against multiple schemes that are being created and implemented by national and state parties to evade and violate the soft money and disclosure provisions of the Bipartisan Campaign Reform Act of 2002 (BCRA). The new law was enacted by Congress to end widespread campaign finance abuses in which national and state parties were raising unlimited soft money funds and spending the funds to influence federal elections.

2. Both major political parties are actively engaged in schemes to evade and violate the law.

3. The National Republican Congressional Committee (NRCC) has established and/or financed an entity called the "Leadership Forum," to raise and spend soft money in violation of the BCRA. The Leadership Forum is led by the recent former chief of staff to House Majority Leader-elect Representative Tom DeLay, and by a former chairman of the NRCC. Shortly before the effective date of the BCRA on November 6, 2002, the NRCC reportedly transferred \$1 million of soft money to the

Leadership Forum. One Republican Party operative described the Leadership Forum as the "House go-to operation" in future federal elections. D. VanNatta, "Parties Create Ways to Avoid Soft Money, Ban," *The New York Times* (Nov. 2, 2002)(Exhibit A). A story in *The Washington Post* described the Leadership Forum as "a new GOP committee to channel soft money to House campaigns..." T. Edsall, "Campaign Money Finds New Conduits As Law Takes Effect," *The Washington Post* (Nov. 5, 2002)(Exhibit B). These reports indicate that this entity will constitute a scheme by the NRCC and House Republican leaders to raise and spend soft money on federal election activities, in violation of the BCRA. The failure by NRCC to disclose any such receipts and disbursements under the BCRA would also be a violation of the BCRA.

4. Officials of the state Democratic Party committees have established the "Democratic State Parties Organization" (DSPO), which is described as having "the legal status" of a state political party. According to *The National Journal*, the DSPO is "a key vehicle for receiving soft dollars" after the effective date of the BCRA. P. Stone, "Keep Soft Money Flowing," *The National Journal* (Oct. 26, 2002)(Exhibit C). Because the DSPO, by its own description, has the legal status of a state party, and/or because it is an entity "maintained" and/or "controlled" by state parties, it is subject to the provisions of the BCRA that apply to state party committees. 2 U.S.C. 441i(b). These provisions prohibit the spending of unlimited soft money for "Federal election activity," which is defined by the law to include get-out-the-vote activities in connection with an election in which a federal candidate is on the ballot, and certain voter registration drives, 2 U.S.C. 431(20)(A). These provisions also require the disclosure of amounts received and disbursed for such activities. 2 U.S.C. 434(e)(2). Nonetheless, the president of the

DSPO reportedly has said that "his organization intended to spend the large checks it receives on get-out-the-vote efforts and party registration programs in states where such spending is legal." *The New York Times, supra* (Exhibit A). Such spending is a violation of the BCRA. Thus, the DSPO constitutes a scheme to raise and spend soft money on federal election activities, in violation of the BCRA. The failure by DSPO to disclose any such receipts and disbursements under the BCRA would also be a violation of the BCRA.

5. Additionally, the DSPO is an entity "established" and/or "financed" by officials of the Democratic National Committee, including its chairman Terry McAuliffe, working in conjunction with officials of Democratic state parties. As such, the DSPO is subject to the soft money ban in the BCRA that applies to the national party committees, and to entities that the national parties "directly or indirectly establish, finance, maintain or control." 2 U.S.C. 441i(a)(2). The BCRA prohibits such entities from raising or spending soft money. 2 U.S.C. 441i(a)(1). The BCRA also requires such entities to disclose all receipts and disbursements. 2 U.S.C. 434(e)(1). Thus, the DNC is engaged in a scheme to use the DSPO as a vehicle to raise and spend soft money on federal election activities, in violation of the BCRA. The failure by DNC to disclose any such receipts and disbursements under the BCRA would also be a violation of the BCRA.

6. There are published reports that a number of additional entities are being set up to serve as conduits for national party committees and federal officeholders to raise and spend soft money on federal election activities, in violation of the BCRA, and to avoid the disclosure requirements of the BCRA. These various schemes amount to a broad and ongoing pattern of evasion of the BCRA by both major political parties.

According to *The Washington Post*, "All the party committees, the Democratic and Republican national, Senate and House campaign committees, are engaged in setting up one or more special conduits for soft money, according to reliable sources, with each operating under varying degrees of secrecy." *The Washington Post, supra* (Exhibit B). *The Post* reports that these "shadow organizations [are] designed to evade the intent of [the BCRA] and continue the flow of unregulated 'soft money' into presidential and congressional campaigns." *Id.* Similarly, *The New York Times* reports, "The Republican and Democratic Parties have established fund raising vehicles for unlimited campaign checks to thwart a new federal law banning "soft money" contributions...." *The New York Times, supra* (Exhibit A). These various vehicles for evasion of the BCRA have been identified as including:

- Four soft money funds established by Democratic Party operatives and all reporting their registered address as the same street address as the law firm of Democratic Party attorney Robert Bauer. Mr. Bauer serves as the lawyer for the Democratic Senatorial Campaign Committee (DSCC) and the Democratic Congressional Campaign Committee (DCCC). These funds include the "Democratic Senate Majority PAC – non federal account" and the "PAC for a Democratic House – Non Federal Account," and two additional entities, the "Democratic Issues Agenda" and the "Empowerment for a New Century."
- A non-profit group reportedly set up by the National Republican Senatorial Committee (NRSC) to "run issue ads on behalf of Senate GOP candidates and incumbents in 2004," according to *Roll Call*. J. Bresnahan, "GOP Gets Generous With Soft Money," *Roll Call* (November 14, 2002)(Exhibit D).
- A former soft money arm of ARMPAC, the leadership PAC of House Majority Leader-elect Representative Tom DeLay. The soft money arm reportedly "disaffiliated" from DeLay's leadership PAC, but it is being controlled by a former top DeLay staffer and is keeping the "ARMPAC" name. According to a published report, the House Republican Party get-out-the-vote operation in 2002, that was spearheaded by Representative DeLay and run by the NRCC – known as Strategic Task Force to Mobilize People (or "STOMP") – is likely to be run in the future out of the "new" ARMPAC soft money entity. S. Crabtree, "Revamped DeLay PAC May Fund STOMP," *Roll Call* (November 14, 2002)(Exhibit E).

7. The BCRA provides that an entity "directly or indirectly established, financed, maintained or controlled" by a national party or by a state party is subject to the same soft money restrictions that apply to the parent entity. 2 U.S.C. 441i(a)(2), 441i(b). The Commission has adopted a so-called "grandfather clause" in its Title I regulations implementing the BCRA. 11 C.F.R. 300.2(c)(3). This provision purports to create a "safe harbor" so that an entity will not be considered to be "directly or indirectly established, maintained or controlled by another entity unless, based on the entities' actions and activities solely after November 6, 2002, they satisfy" the affiliation requirements of the regulations. *Id.*

8. Regardless of whether this regulation is valid, it does not provide a "safe harbor" for certain violations by the Leadership Forum and by the DSPO, set forth above. The so-called "grandfather clause" does not apply to an entity that receives financial support from a national party committee prior to November 6, 2002 unless "the recipient entity disposes of the funds prior to November 6, 2002..." 11 C.F.R. 300.2(c)(3). The Leadership Forum received a transfer of \$1 million from the NRCC shortly before November 6, 2002. As long as the Leadership Forum did not spend down the entire \$1 million transferred prior to November 6, 2002, the so-called "grandfather clause" does not apply here. Similarly, the so-called "grandfather clause" does not apply to an entity that is a state party organization or that is "controlled" or "maintained" by a state party after November 6, 2002. The DSPO describes itself as having the legal status of a state party, and its articles of incorporation make clear that it is "controlled" and/or "maintained" by the Democratic state parties after November 6, 2002. As such, the so-called "grandfather clause" does not apply here.

9. In any event, the so-called "grandfather clause" regulation is contrary to the BCRA, is not supported by any language found in the BCRA, is not consistent with the intent of Congress in enacting the BCRA, and is beyond the authority of the Commission to promulgate. (The regulation is currently being challenged as "arbitrary," "capricious" and "contrary to law" in a lawsuit pending in federal district court.) Accordingly, the so-called "grandfather provision" does not protect the Leadership Forum, the DSPO or any similarly created entity from liability for violating the BCRA.

10. Even if this regulation is valid, it does not permit a party committee to engage in a scheme to evade and violate the BCRA by establishing a new entity on the eve of the effective date of the BCRA in order to run a shadow soft money operation on behalf of the party committee in the guise of a supposedly "independent" group. Accordingly, the so-called "grandfather clause" does not protect the Leadership Forum, the DSPO, or any similarly created entity, from liability for violating the BCRA.

11. The Commission is authorized to take action against a person or entity that "has committed, or is about to commit," a violation of the campaign finance laws. 2 U.S.C. 437g(a)(2), 437g(a)(4)(A)(i), 437g(a)(6)(A). Effective enforcement of the BCRA by the Commission is essential to prevent blatant schemes to violate the new law from being implemented, and to prevent such schemes from quickly multiplying. Lax enforcement by the FEC in the past played a central role in opening massive loopholes in the Federal Election Campaign Act (FECA). The BCRA was enacted to close those loopholes, and the FEC has an obligation to move quickly in order to ensure that this new law does not face the same fate as the FECA.

Parties

12. Common Cause is a non-partisan, non-profit citizen action organization with approximately 200,000 members and supporters across the United States. Common Cause works on behalf of its members and supporters to make government more open, honest and accountable. Common Cause supported the congressional enactment of the BCRA and has actively participated in the subsequent rulemaking before the Commission to ensure that the provisions of the BCRA are implemented effectively. Common Cause also relies on campaign finance information disclosed to the Commission to issue reports to the public about money in the federal political process.

13. Democracy 21 is a non-profit, non-partisan public policy organization that works to eliminate the undue influence of big money in American politics and to ensure the integrity and fairness of our democracy. It supports campaign finance and other political reforms and conducts public education efforts to accomplish these goals, participates in litigation involving the constitutionality and interpretation of campaign finance laws and engages in efforts to help ensure that campaign finance laws are effectively and properly enforced and implemented.

14. The Campaign and Media Legal Center (CAMLC) is a non-profit, non-partisan organization created to represent the public perspective in administrative and legal proceedings interpreting and enforcing the campaign and media laws. It participates in rulemaking and advisory opinion proceedings at the Federal Election Commission to ensure that the agency is properly enforcing federal election laws and files complaints with the Commission requesting that enforcement actions be taken against individuals or organizations which appear to be violating the law. The Legal



Center relies considerably on campaign finance information disclosed to the Commission in carrying out these functions.

15. The Center for Responsive Politics is a non-partisan, non-profit research group that tracks money in politics, and its effect on elections and public policy. CRP conducts computer-based research on campaign finance issues for the news media, academics and the public at large. Among CRP's projects is FEC Watch, which is dedicated to ensuring enforcement of the nation's campaign finance laws. CRP's work is dependent on the timely and accurate disclosure of money that influences federal elections.

16. The Leadership Forum is a entity organized under section 527 of the Internal Revenue Code.

17. The National Republican Congressional Committee is a national party committee recognized by the Commission as a political party.

18. Susan Hirschmann is the president of the Leadership Forum.

19. William Paxon is the vice president of the Leadership Forum.

20. The Democratic State Parties Organization (DSPO) is a nonprofit corporation organized under the laws of the District of Columbia. A copy of the Articles of Incorporation of the DSPO is attached as Exhibit F.

21. Joseph Carmichael is president of, and one of the incorporators of, the DSPO. He is chair of the Missouri state Democratic Party, and is also chairman of the Association of State Democratic Chairs (ASDC). He is also a vice chairman of the Democratic National Committee.

22. The Democratic National Committee (DNC) is a national party committee recognized by the Commission as a political party.

23. Terry McAuliffe is chairman of the Democratic National Committee.

**Allegations relating to the Leadership Forum and the NRCC**

24. On October 23, 2002, shortly before the effective date of the BCRA, Representative Tom Davis, chairman of the National Republican Congressional Committee, was quoted as saying, "We want to make sure there are adequate conduits for our supporters to help get our message out, so we can compete with what they are doing on the other side...we're having stuff set up right now....We're making sure there are appropriate routes so that issue advocacy continues." A. Bolton, "Both Parties Race To Set Up New Soft Money Mechanisms," *The Hill* (Oct. 23, 2002)(Exhibit G). According to the same report, "Davis said the entire House GOP leadership is involved in the effort." *Id.* *The Washington Post* earlier had reported that Republican Party operatives, including former Representative and NRCC chairman Bill Paxon, were working to "build an organization to back GOP candidates." T. Edsall, "New Ways to Harness Soft Money in Works; Political Parties Poised to Take Huge Donations," *The Washington Post* (Aug. 25, 2002)(Exhibit H).

25. On October 28, 2002, an entity called The Leadership Forum filed with the Internal Revenue Service for status as a "political organization" under section 527 of the Internal Revenue Code.

26. The Leadership Forum is headed by several individuals with close ties to House Republican leaders. Susan Hirschmann is the president of the Forum and was, until August, 2002, the chief of staff to House Majority Leader-elect DeLay. Former

Representative Bill Paxon is the vice president of the Forum and is a former head of the NRCC. Julie Wadler, the secretary-treasurer of the Forum, is the former deputy finance director of the NRCC.

27. According to published reports, the NRCC transferred \$1 million in non-federal funds to the Forum shortly before November 5, 2002. J. Bresnahan, "NRCC Quietly Gives \$1 Million to New 527," *Roll Call* (November 7, 2002)(Exhibit I). According to published reports, the transfer was expressly approved by several Republican members of the House, including Rep. Jerry Weller and Rep. Tom Reynolds, who was recently elected as the new chairman of the NRCC. *Id.*

28. The *Washington Post* described the Leadership Forum as "a new GOP committee to channel soft money to House campaigns..." *The Washington Post, supra* (Exhibit B). *The New York Times* reported that Scott Reed, a Republican strategist, said that the Leadership Forum would be "the House go-to operation." *The New York Times, supra* (Exhibit A). According to this report, Reed added, "This is the way politics and campaigns will be run under the new law." *Id.* A story in *Roll Call* said the Leadership Forum "will raise funds to help defend GOP lawmakers with issue ads during the 2004 elections." *Roll Call, supra* (Exhibit D).

#### Count 1

##### (Violation of BCRA provisions relating to national parties)

29. The BCRA prohibits a "national committee of a political party (including a national congressional campaign committee of a political party) from soliciting, receiving, directing or spending soft money. 2 U.S.C. 441i(a)(1). The prohibition applies as well to "any agent acting on behalf of such a national committee, and any

entity that is directly or indirectly established, financed, maintained or controlled" by such a national committee. 2 U.S.C. 441i(a)(2).

30. Because it received a transfer of \$1 million in soft money from the NRCC, the Leadership Forum is an entity "directly or indirectly...financed" by the NRCC, a national committee of the Republican Party. Accordingly, it is subject to the prohibitions on the raising and spending of soft money that apply directly to the NRCC. The Leadership Forum's effort to raise and spend soft money in the 2004 House election is prohibited by the BCRA because the prohibitions that apply to the NRCC also apply to the Leadership Forum as an entity financed by the NRCC.

31. For the reasons set forth in paragraphs 8-10 above, the so-called "grandfather clause" in the Commission's regulations does not protect nor shield the Leadership Forum or the NRCC from liability for violating the BCRA.

32. In addition, because the Leadership Forum was apparently set up with the active participation and support of Republican House members, including the chair of the NRCC, with the goal of using soft money to support Republican House candidates, and is being run by individuals with close and ongoing ties to the NRCC and House Republican leaders, it is an entity "directly or indirectly...established" by the NRCC within the meaning of the BCRA. Accordingly, it is subject to the prohibitions on the raising and spending of soft money that apply directly to the NRCC. The Leadership Forum's effort to raise and spend soft money is prohibited by the BCRA because the prohibitions that apply to the NRCC also apply to the Leadership Forum as an entity established by the NRCC.

33. For the reasons set forth in paragraphs 9-10, the "grandfather clause" in the Commission's regulations does not protect nor shield the Leadership Forum or the NRCC from liability for violating the BCRA.

34. Respondents NRCC, Leadership Forum, Hirschmann and Paxon are engaged in an illegal scheme to raise and spend soft money in the 2004 election, in violation of the restrictions on national parties, and on entities "established" and "financed" by national parties, in the BCRA.

Count 2

(Violation of BCRA provisions relating to disclosure)

35. The BCRA requires the national committee of a political party, any national congressional campaign committee of a political party, and any subordinate committee of either type of committee, to report all receipts and disbursements. 2 U.S.C. § 434(e)(1). The BCRA also requires national party committees, the national congressional campaign committees of the party committees, and any subordinate committee of either type of committee, to itemize all receipts and disbursements in excess of \$200 in a calendar year. 2 U.S.C. § 434(e)(3).

36. Based on the allegations set forth above, the Leadership Forum is an entity "directly or indirectly established, financed, maintained or controlled" by the NRCC. Accordingly, the Leadership Forum is subject to the same requirement to report all receipts and disbursements that applies directly to the NRCC. Such an entity is also required to itemize all receipts and disbursements in excess of \$200 in a calendar year. The Leadership Forum's failure to disclose its receipts and disbursements would be in violation of the disclosure requirements in the BCRA. The Leadership Forum's failure to

itemize these receipts and disbursements would also be in violation of the itemization requirement in the BCRA.

**Allegations relating to DSPO and the DNC**

37. The Democratic State Parties Organization was incorporated on August 14, 2002. According to its Articles of Incorporation, which are attached as Exhibit F, the "members" of the DSPO "shall consist of the state committee of the Democratic Party in each of the 50 states of the United States of America,...each such committee to be represented in the corporation, for voting purposes, by the committee chair and highest ranking officer of such committee of the opposite gender." Exhibit. F at p.2 (Para Fourth).

38. According to a published report in *The New York Times*, a nine page document on "the goals of the Democratic State Party Organization" was distributed at a "secret party conclave" in Washington, DC on October 15, 2002 attended by DNC chairman Terry McAuliffe, DSPO president Carmichael and "40 of the party's most prolific fundraisers." *The New York Times, supra* (Exhibit A). According to the report, the document distributed at the meeting said that the organization "would have the same legal status as a state party..."

39. According to the same report, DNC chair McAuliffe told the group of party fundraisers "that he expected a newly created spinoff organization, the Democratic State Party Organization, to raise approximately \$40 million in soft money before the 2004 presidential election, two party fundraisers said." *Id.* The report further notes that a party fundraiser who attended the meeting "described Mr. McAuliffe's message as boiling down to 'the campaign finance reform stuff is nothing but junk.'" *Id.* According

to the same report, Mr. McAuliffe said to the party fundraisers, "get out there next year and in 2004 and continue to raise all this soft money." *Id.*

40. According to the same report, Mr. Carmichael said that the DSPO "intended to spend the large checks it receives on get-out-the-vote efforts and party registration programs in states where such spending is legal." *Id.*

41. According to the same report, DSPO president Carmichael said "he recalled Mr. McAuliffe telling the donors and fund-raisers to assist the newly created party group. 'When Joe calls, I want you to take his phone call,' Mr. Carmichael recalled Mr. McAuliffe saying." *Id.*

#### Count 1

#### (Violation of BCRA provisions relating to state parties)

42. The BCRA provides that unlimited soft money funds may not be used for "an amount that is expended or disbursed for Federal election activity by a State, district, or local committee of a political party (including an entity that is directly or indirectly established, financed, maintained, or controlled by a State, district or local committee of a political party and an officer or agent acting on behalf of such committee or entity)..." 2 U.S.C. 441i(b)(1). The BCRA defines "Federal election activity" to include get-out-the-vote activities in connection with an election where a federal candidate is on the ballot, and certain voter registration activities. 2 U.S.C. 431(20)(A).

43. According to its own articles of incorporation, the DSPO is an association of the Democratic state party committees, and has, according to published reports about the document distributed at the October 15 meeting of party fundraisers, the "legal status"

of a state party. As such, it is subject to the provisions of the BCRA relating to state parties.

44. Further, the DSPO is "maintained" and "controlled" by the state Democratic Parties even after November 6, 2002 since, according to its articles of incorporation, the "members" of DSPO are and continue to be the Democratic state party organizations, to be represented for voting purposes in DSPO by the chair and second ranking officer of each state party. See Exhibit F at Para. Fourth. Because the state parties will continue to "maintain" and "control" the DSPO after November 6, 2002, the so-called "grandfather clause" relating to activity prior to November 6, 2002 does not apply to the DSPO. For this reason and for the additional reasons set forth in paragraphs 9-10, the raising and spending of unlimited soft money funds by the DSPO for "Federal election activity" is in violation of the BCRA regardless of whether the so-called "grandfather clause" in Commission regulations is valid.

45. Based on the allegations set forth above, the DSPO intends to raise up to \$40 million in soft money and spend those funds in the 2004 campaign for "Federal election activity," in violation of the BCRA.

46. Respondents DSPO and Carmichael are engaged in an illegal scheme to spend soft money on "Federal election activity" in the 2004 election, in violation of the restrictions on state parties in the BCRA.

#### Count 2

##### (Violation of BCRA provisions relating to national parties)

47. The BCRA provides that "a national committee of a political party...may not solicit, receive or direct to another person a contribution, donation, or transfer of



funds or any other thing of value, or spend any funds, that are not subject to the limitations, prohibitions and reporting requirements of this Act.” 2 U.S.C. 441i(a)(1). This prohibition applies as well to “any entity that is directly or indirectly established, financed, maintained or controlled by” a national committee of a political party. 2 U.S.C. 441i(a)(2). Thus, BCRA prohibits the national party committees, and any entity it establishes or finances, from raising or spending soft money.

48. Based on the allegations above, the DNC and chairman McAuliffe have been instrumental in “establishing” and/or “financing” the DSPO. The DSPO has been created with the support and participation of the DNC and McAuliffe. Further, McAuliffe has participated in the financing of the DSPO and encouraged DNC fundraisers to “get out there next year and in 2004 and continue to raise all this soft money” for the DSPO. *The New York Times*, *supra* (Exhibit A). McAuliffe urged Democratic party soft money donors to “take” Carmichael’s calls, and to “assist the newly created party group” after the effective date of the BCRA. *Id.*

49. As such, the DSPO is an entity “directly or indirectly established, financed, maintained or controlled” by the DNC within the meaning of the BCRA, and is subject to the prohibitions on the raising and spending soft money that apply directly to the DNC. The DSPO’s effort to raise and spend up to \$40 million in soft money in the 2004 election is prohibited by the BCRA because the prohibitions that apply to the DNC also apply to the DSPO as an entity established and financed by the DNC.

50. For the reasons set forth in paragraphs 9-10, the raising and spending of unlimited soft money funds by the DSPO is in violation of the BCRA restrictions on national party committees and entities established or financed by such committees,

regardless of whether the so-called "grandfather clause" in Commission regulations is valid.

51. Respondents DSPO, Carmichael, DNC and McAuliffe are engaged in an illegal scheme to raise and spend soft money in the 2004 election, in violation of the restrictions on national parties, and on entities established or financed by national parties, in the BCRA.

Count 3

(Violation of BCRA provisions relating to disclosure)

52. The BCRA requires state parties to report all receipts and disbursements made for "Federal election activity," unless the aggregate amount of those receipts and disbursements is less than \$5000 in a calendar year. 2 U.S.C. § 434(e)(2)(A). These reports must also include a disclosure of all receipts and disbursements of Levin funds for "Federal election activity." 2 U.S.C. § 434(e)(2)(B). State parties must also itemize all receipts and disbursements for "Federal election activity" from or to any person aggregating in excess of \$200 in any calendar year, in accordance with 2 U.S.C. § 434(b)(3)(A), (b)(5), and (b)(6). 2 U.S.C. § 434(e)(3).

53. Based on the allegations set forth above, the DSPO has the "legal status" of a state party, and is subject to the disclosure provisions applicable to state parties. Further, based on the allegations set forth above, the DSPO intends to receive and disburse up to \$40 million in the 2004 campaign for "Federal election activity" without disclosing these receipts and disbursements. The DSPO's failure to disclose the receipts and disbursements of these funds would be in violation of the disclosure requirements in

the BCRA. The DSPO's failure to itemize these receipts and disbursements would also be in violation of the itemization requirement in the BCRA.

54. The BCRA requires national party committees, the national congressional campaign committees of the party committees, and any subordinate committee of either type of committee, to report all receipts and disbursements. 2 U.S.C. § 434(e)(1). The BCRA also requires national party committees, the national congressional campaign committees of the party committees, and any subordinate committee of either type of committee, to itemize all receipts and disbursements in excess of \$200 in a calendar year. 2 U.S.C. § 434(e)(3).

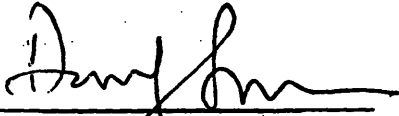
55. Based on the allegations set forth above, DSPO is an entity "directly or indirectly established, financed, maintained or controlled" by the DNC. Accordingly, DSPO is subject to the same requirement to report all receipts and disbursements that applies directly to the DNC. Such an entity is also required to itemize all receipts and disbursements in excess of \$200 in a calendar year. The DSPO's failure to disclose its receipts and disbursements would be in violation of the disclosure requirements in the BCRA. The DSPO's failure to itemize these receipts and disbursements would also be in violation of the itemization requirement in the BCRA.

#### **Request for Relief**

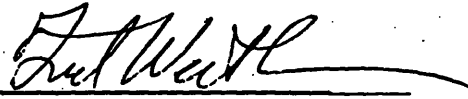
56. The Commission should immediately open an investigation and find that the respondents named herein, as well as any other entities or persons the Commission deems to be implicated, are engaged in illegal schemes to evade and violate the BCRA. Further, the Commission should expeditiously seek to stop the illegal activity and obtain full compliance with the BCRA, seek appropriate sanctions for the activities that violate

the BCRA, and take such other, further action as is necessary and appropriate to enforce the BCRA.

Respectfully submitted,

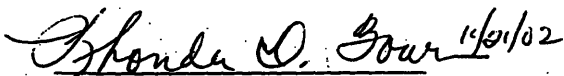


Donald J. Simon  
Acting President  
Common Cause



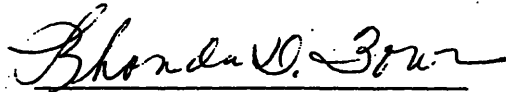
Fred Wertheimer  
President  
Democracy 21

Subscribed and sworn to:



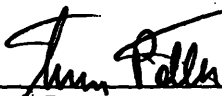
Shonda O. Gaur 11/21/02  
Notary Public

Subscribed and sworn to:

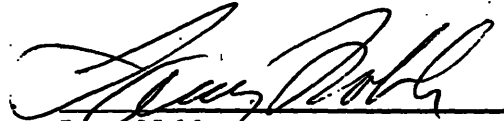


Shonda O. Gaur  
Notary Public

Rh: 10-1-02  
Notary Public, District of Columbia  
My Commission Expires 03-31-2003




Trevor Potter  
General Counsel  
Campaign and Media Legal Center




Larry Noble  
Executive Director  
Center for Responsive Politics

Subscribed and sworn to:



Shonda O. Gaur  
Notary Public

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November 21, 2002